

Message Text

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ORIGIN ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EFIN AR

SUBJECT: ARGENTINE CENTRAL BANK PRESIDENT VISITS IMF

1. SENIOR IMF OFFICIAL INFORMALLY TOLD DEPTOFF THAT GOMEZ MORALES, PRESIDENT OF THE ARGENTINE CENTRAL BANK, HAD CALLED ON THE FUND FOR A DISCUSSION OF THE ARGENTINE SITUATION DURING THE WEEK OF JULY 30. CONVERSATION WAS CHARACTERIZED BY IMF OFFICIAL AS FRIENDLY THROUGHOUT AND SAID THAT WHILE GOMEZ MORALES PRESENTS HIMSELF AS A MODERATELY CONSERVATIVE ECONOMIST, HE NONETHELESS REFLECTED THE EXPECTED ARGENTINE NATIONALISTIC ATTITUDES. GOMEZ MORALES REPORTED THAT IN HIS VIEW INFLATIONARY EXPECTATIONS HAD BEEN BROKEN, CITING AS EVIDENCE THE JUNE/JULY ABSOLUTE REDUCTIONS IN COST OF LIVING INDEX. HE INDICATED THAT THE FISCAL DEFICIT INHERITED FROM THE LANUSSE REGIME WAS MUCH LARGER THAN HAD BEEN REPORTED AND WOULD CAUSE DIFFICULTIES FOR THE PERONIST REGIME. NEVERTHELESS, HE TOLD THE FUND THAT THE "SOCIAL COMPACT"

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WOULD EXIST FOR TWO YEARS AND THAT WAGE INCREASES WOULD

BE REALISTIC IN A PROGRAM TO ELIMINATE INFLATION. HE NOTED THAT THE LAND TAX ON UNEXPLOITED RURAL PROPERTIES WOULD CONSTITUTE THE AGRARIAN REFORM PROGRAM OF THE PERONISTS. SOME ADDITIONAL TAX MEASURES MIGHT BE REQUIRED IF THE PROGRAM TO DATE DOES NOT SUFFICIENTLY CONTAIN INFLATIONARY PRESSURES.

2. WITH REGARD TO ARGENTINE RELATIONSHIPS WITH THE IMF, GOMEZ MORALES SAID THAT IT IS A FACT THAT ARGENTINA IS A MEMBER AND WILL CONTINUE TO BE ONE. ON THE OTHER HAND HE MADE CLEAR THAT THE ORGANIZATION IS ORIENTED TOWARD THE MORE DEVELOPED COUNTRIES AND DOES NOT SUFFICIENTLY TAKE ACCOUNT OF PROBLEMS IN THE LDC'S. HE PARTICULARLY EXPRESSED DISMAY AT THE CONTINUING PRACTICE OF SENDING IMF MISSIONS TO COUNTRIES AND THE ISSUANCE OF DEROGATORY REPORTS BY THOSE MISSIONS. GOMEZ MORALES SAID THAT QUITE OFTEN SUCH REPORTS WILL RUIN AN ECONOMY FOR THE BETTER PART OF A YEAR. HE INDICATED THAT HE THOUGHT THAT IN THE CASE OF ARGENTINA THE CENTRAL BANK WOULD SEND INFORMATION TO WASHINGTON AND THAT DISCUSSIONS COULD BE HELD IN WASHINGTON ABOUT ONCE A YEAR.

3. IN PASSING, GOMEZ MORALES MENTIONED THE PENDING ECONOMIC LEGISLATION AND THE MEMOS FROM THE US EMBASSY. HE DID NOT GIVE THEM ANY PARTICULAR IMPORTANCE IN HIS CONVERSATIONS WITH THE FUND OFFICIALS. ROGERS

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